

January 18, 2012

Via Hand Delivery

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

FILED/ACCEPTED

JAN 18 2012
Federal Communications Commission
Office of the Secretary

Redacted – For Public Inspection

Dear Ms. Dortch:

In accordance with the Protective order released September 16, 2010 in the matter of developing a Unified Inter-carrier Compensation regime, Establishing Just and reasonable Rate for Local Exchange Carriers, Connect America Funds, High-cost Loop Service Support and A National Broadband Plan for Our Future, in CC Docket No. 01-92, WC Dockets Nos. 10-90, 07-135, and 05-337 and GN Docket 09-51, Moss Adams LLP provides two copies of each document on behalf of the Submitting Party, Wheat State Telephone Company.

The enclosed documents are filed in response to the FCC's Report and Order and Further Notice of Proposed Rulemaking released November 18, 2011 in the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rate for Local Exchange Carriers, High-Cost Universal Service Support, and Developing a Unified Inter-carrier Compensation Regime. The Report and Order also addressed Federal-State Joint Board on Universal Service, Lifeline and Link-Up and Universal service Reform – Mobility Fund in CC Docket 96-45, WC Docket 03-109, and WT Docket 10-208. Wheat State is not filing comments on the last three dockets.

Paragraph 4 of the protective order states: "In addition, a Submitting Party shall file with the Secretary's Office one copy of the Confidential Document, two copies of the Confidential Document in redacted form.

No. of Copies rec'd 0+3
DATE

Secretary
Federal Communications Commission
January 18, 2012
Page Two

Moss Adams will also provide two copies of the confidential documents to
Lynne Hewitt Engledow of the FCC.

Respectfully submitted;

A handwritten signature in black ink, appearing to read "William J. Warinner". The signature is fluid and cursive, with a long horizontal stroke at the end.

William J. Warinner, Partner
For Moss Adams LLP

cc: Archie Macias, Wheat State Telephone Company, 106 West First, Udall, KS
67146

**Before the
Federal Communications Commission
Washington, D.C. 20554**

FILED/ACCEPTED

JAN 18 2012

**Federal Communications Commission
Office of the Secretary**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing a Unified Intercarrier Compensation Regime)	CC Docket No. 01-92

To: Wireline Competition Bureau

COMMENTS OF WHEAT STATE

Archie Macias
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106 West First Street
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Udall, Kansas 67146-0320

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SUMMARY

Wheat State Telephone Company, Inc. previously provided financial information in comments and through an ex parte presentation to the Federal Communications Commission that supported our position that without an adequate and sustainable replacement for the reductions in universal service support, Wheat State may lack ongoing financial resources to provide high quality and broadband services in the high-cost area of rural Kansas.

The financial information provided in Exhibits I and II attached to these comments updates previously filed information with the impacts from this Report and Order. The financial information includes projections from the application for the fiber-to-the home project that was recently approved by the Rural Utility Service.

Wheat State's comments updates various issues from prior comments and provides information related to the use of the proposed regression model that would adversely impact Wheat State's operation beginning in 2015 by approximately \$ that escalates to \$ in 2017 if the 2010 levels remain in effect for both the High Cost Loop Support and Interstate Common Line Support.

Wheat State requests that the Federal Communications Commission consider the impact to the operations of rural telecommunications carriers.

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
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Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
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)	
Developing a Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	

COMMENTS OF WHEAT STATE

I. INTRODUCTION

Wheat State Telephone, Inc. (“Wheat State”) submits these comments in response to the Federal Communications Commission’s (“FCC”) Report and Order and Further Notice of Proposed Rulemaking (“Order”) released November 18, 2011. The FCC proposes comprehensive reform to the current Universal Service Fund (“USF”) and Intercarrier Compensation (“ICC”) system by transitioning the current USF support to a broadband focused Connect America Fund (“CAF”) and to replace the current ICC system which is currently based on per-minute compensation.

Wheat State previously filed comments on July 12, 2010 in response to the FCC’s NPRM released April 21, 2010 in the matter of a CAF, a national broadband plan (“NBP”) and USF support. In addition, Wheat State also filed comments on April 18, 2011 in response to the FCC’s Notice of Inquiry and Notice of Proposed Rulemaking. Wheat State provided confidential information related to financial impacts of the proposed rulemaking to the FCC during an ex parte presentation on June 24, 2011.

Wheat State is a rural local exchange company that has operated since 1950. Our office is in Udall, Kansas. We serve six rural exchanges in central Kansas, two exchanges Southeast of Wichita and four to the Northeast with a staff of 20 employees. Wheat State offers wireline voice services, cable television, and broadband services using a combination of fiber and copper facilities. We use ADSL technology and provide download speeds up to 6.0 Mbps to 95% of our customers. Our upload speeds range from 758Kbps to 1.5Mbps.

All trunk and loop plant to our “city” customers is provided over fiber. The majority of our rural copper is over 20 years old. We are currently planning to implement major investments

in our network using fiber-to-the-home (“FTTH”) technology over the next three years and have obtained loan approval from the Rural Utilities Service (“RUS”) to complete the project. In order to continue to provide reliable services to our customers, we plan to extend fiber further into our service area. With the FTTH project, we plan to offer 25 Mbps to consumers in our service area and are targeting 100 Mbps as customer demand increases and fiber is built to anchor institutions within our communities. We are a company that is responsive to the needs of our customers and take pride in providing quality voice and data services because our customers are also our neighbors.

In Wheat State’s July 12, 2010 comments, Wheat State filed financial documentation with the FCC to support our opinion that the FCC’s proposal to cap the legacy support at 2010 levels and phase-out the legacy high-cost funding by 2020 would negatively affect the affordable and dependable voice and data services for our customers. Wheat State requested that the FCC consider the potentially harmful impact to the rural companies from its changes to the legacy USF support mechanisms if the FCC adopts policies that may cap or reduce USF support, as Wheat State’s financial information demonstrated.

In Wheat State’s April 18, 2011 comments, Wheat State stated it does not agree with the FCC’s proposal to reduce USF support for small rural ILECs who have limited resources and a small customer base in order to provide additional USF or CAF to carriers that by choice have neglected their rural customers. Wheat State suggested that the FCC should consider alternatives such as raising SLCs to the maximum allowed by those entities currently charging less than the

maximum allowed, (as supported in an exhibit filed with the financial information), to pay for the deployment of broadband networks before USF is redirected from high-cost rural ILECs. Wheat State supported the Rural Associations in their comments and their efforts to assist the FCC in designing a reasonable solution to USF and inter-carrier compensation.

The FCC's Order phases down Federal USF support to \$3,000 per line per year; eliminates safety-net additive; revises the calculation of Corporate Operations expense cap on High Cost Loop Support ("HCLS"), adds the Corporate Operations expense limitation to Interstate Common Line Support ("ICLS"), proposes the use of Regression Model to cap capital investments and operating expenses other than Corporate Operations expense to HCLS; and proposes to cap capital investments and operating expenses on ICLS.

The FCC Order reforms inter-carrier compensation by phasing down interstate and intrastate terminating access rates to bill-and-keep by 2020, establishing an Access Recovery Charge, implementing a Connect America Fund, revising traffic sensitive settlements and eliminating Local Switching Support.

Wheat State wishes to address the financial impact of the USF and ICC reforms ordered and proposed by the FCC's Order on Wheat State's operations in the following areas:

- Limit total USF support per line to \$3,000
- Elimination of the Safety-net Additive ("SNA")
- High Cost Loop change for Corporate Operations Expense
- Elimination of Local Switching Support ("LSS")
- Interstate Common Line Support ("ICLS") changes for Corporate Operation Expense

- Regression model to limit capital investments and expenses in the calculation of HCLS
- Regression or similar model to limit capital investments and expenses for Interstate Common Line Support (“ICLS”)
- Inter-carrier Compensation reform

II. IMPACT OF THE FCC’S PROPOSED CHANGES TO USF SUPPORT

In order to determine the impact on Wheat State related to the FCC’s Order, we compared projected revenues under existing settlement and support programs using existing historical information and projected financial information provided to RUS for the Fiber-to-the-home (“FTTH”) loan with projected revenues under revised settlement and support programs incorporating the changes outlined in the FCC’s Order. This information was used to determine the impact of the changes specified in Appendix A of the Order. In addition, the proposed impact of the Regression Model from Appendix H of the Order was used in two scenarios; (1) assuming the 2010 Regression Model cap levels would not change over time, and (2) that the caps would grow in the same percentage as the increase in the National Average Cost per Loop (“NACPL”). The financial results of calculating the various changes from the Order as compared to the information developed for the RUS loan application (under existing rules) are provided in *Exhibit I Regression Caps Held at 2010 Levels* and *Exhibit II Regression Caps Grown at NACPL Levels*. The results are discussed below.

A. Limit Total Support per Line to \$3,000 – The FCC proposes that *beginning January 1, 2012*, each study area in the continental United States shall be limited to \$3,000 per-line annually in universal service support. Wheat State computed its annual support with respect

to the \$3,000 per year limitation per customer under two scenarios. Scenario 1 reflected on Exhibit I attached freezes the regression caps at 2010 levels for all future years. Scenario 2 grows the FCC’s proposed regression caps based on the annual growth in the National Average Cost Per Loop (“NACPL”).

Under Scenario 1, Wheat State’s total annual support per line is under the \$3,000 proposed cap, as determined under current rules if the regression caps in future periods do not increase over 2010 levels, (Refer to Exhibit I). Wheat State does not exceed the \$3,000 per line threshold because significant revenues are lost due to costs eliminated from HCLS and ICLS recovery due to the regression caps. The future costs eliminated from HCLS and ICLS support mechanisms using the FCC’s existing regression caps are estimated to result in revenue losses of approximately % of eligible HCLS and ICLS support under existing rules.

Under Scenario 2, assuming the regression caps increase annually based on the rate of increase projected for the NACPL, Wheat State will be impacted by the \$3,000 support limitation beginning in 2017 (Exhibit I, USF Reform, Line 2). With increases projected in the FCC’s annual regression caps, Wheat State will recognize significantly reduced losses in future recoveries from the HCLS and ICLS support programs representing only % of eligible HCLS and ICLS support under existing rules. In summary, without knowing how future year regression caps will impact its ability to recover future costs, Wheat State will be unable to make investment decisions affecting the services provided to its customers beyond one year.

B. *Safety-net Additive* – For *calendar year 2012* payments, the FCC proposes that SNA disbursements shall only be applicable to those carriers who qualified for support up to and

including 2010 based on increases in plant investments through the year 2009. Local Exchange Carriers ("LEC") shall not receive SNA for growth in Telecommunications Plant in Service ("TPIS") in 2011 as compared to 2010. The SNA payments a LEC will receive *for calendar year 2012* shall be 50% of the calculated SNA, and beginning *January 1, 2013*, no carrier shall receive SNA.

Wheat State is impacted by this rule change and reasserts its position that the FCC should not eliminate the SNA which was designed to provide temporary support to companies who make significant investments in plant. Many rural companies make significant periodic investments in plant facilities. For the years that the ILEC makes major investments in outside plant and central office equipment investments, the percent growth in investment per line may exceed the 14% threshold and SNA should be used as a temporary bridge to fund these investments during the two year period prior to the inception of HCLS.

Wheat State would have qualified for SNA under existing rules beginning in 2015 and included this revenue in its FTTH loan application approved by RUS. The projected SNA amount is not shown on either Exhibit I or Exhibit II on line 3 under USF Reform revenue impacts because the FCC eliminated SNA after 2013. The loss in SNA coupled with projected losses in HCLS and ICLS support revenues will likely prohibit future broadband investments in rural networks in future years.

C. *High Cost Loop Change for Corporate Operations Expense*– The FCC ordered that for purposes of calculating universal service support payments in future years, total

corporate operations expense shall be limited to the amount calculated in accordance with § 36.621(a)(4)(i). Wheat States does not currently exceed the Corporate Operations Expense cap for HCLS cost recovery and is not expected to exceed the Corporate Operations Expense cap under the FCC’s revised rules effective for years after 2011.

D. Elimination of Local Switching Support – Effective *July 1, 2012*, LSS will be eliminated as a separate support mechanism. *Beginning January 1, 2012 until June 30, 2012*, LSS support levels will be frozen at 2011 levels subject to true-up on 2011 operating results. The FCC addresses the affects related to the elimination of LSS support on the interstate revenue requirements of incumbent LEC’s in its inter-carrier compensation (“ICC”) Order. The revenue impact from the elimination of LSS support is discussed below under “Intercarrier Compensation” and is shown separately on Line 17 of Exhibits I and II attached. The loss of LSS support is partially offset by increases in revenues from customers and from the Connect America Fund “(CAF)”

E. Interstate Common Line Support Changes – *Beginning January 1, 2012*, corporate operations expense allocated to the Common Line Revenue Requirement shall be capped based on the same basis as the cap used in calculating HCLS. Wheat State is not currently impacted by the existing cap on Corporate Operations Expense for HCLS and does not believe it will be impacted in future years based on the FCC’s revised expense cap limitation applicable for determining HCLS and ICLS support for the year 2012.

F. Regression Model for Capping Investments and Expenses used in HCLS – As stated in the introduction, Wheat State was granted a RUS loan for construction of a fiber-to-the-

home network to enhance its broadband service capabilities. The loan application was prepared and filed using revenue forecasts based on existing support mechanisms that did not include capital expenditure and expense caps resulting from the FCC’s regression model. Wheat State has grave concerns regarding the financial model used to determine the FCC’s regression caps for the year 2012 and supports the comments filed by Moss Adams LLP related to inconsistencies in the assumptions, methodologies and calculations contained in the Regression Model used by the FCC to establish selected investment and expense caps based on 2010 HCLS information.

The FCC has provided little to no support for the assumptions and methodologies contained in the Regression Model that was adopted for use with its USF reforms. The model is burdensome, overly complicated and is completely unpredictable because the Commission has provided no guidance for regression cap calculations in subsequent years. The model does not appear to consider relevant facts when assessing and comparing facility investments and service costs by carriers that provide services in rural areas. The model does not consider appropriate reserve adjustments for plant investments that have been limited and does not appropriately calculate depreciation expense limitations for plant assets that are depreciated using lives that fall within the FCC’s published guidelines. The impacts of the Commission’s regression caps on USF support can be significant from year to year and may prohibit the necessary funding required to pay debt service costs in future years. The FCC’s Regression Model needs further analysis and validation before being implemented and relied upon for determining future levels of Universal Service support.

Wheat State provides the impact of using the 2010 Regression Caps in Exhibits I and II based on the comparison of revenue requirements calculated under existing rules and rules subject to the implementation of the FCC’s proposed regression caps. The revenue impact from the implementation of regression caps on the investments and expenses of Wheat State appears on Lines 9 and 10 of Exhibits I and II attached. In each of the Exhibits, Wheat State projects future investments and expenses associated with its FTTH plant upgrade that begins in 2013 and is scheduled for completion by 2015. The increase in HCLS revenue under existing rules is estimated to begin in 2015 based on 2013 plant investments and will continue through 2017 based on increased plant investments through 2015. However, future increases in HCLS will be significantly impacted by regression caps determined by the FCC in future years. As previously stated, the decrease in future HCLS and ICLS support will range anywhere between % and % depending on the level of regression caps adopted by the FCC in the years 2013 through 2019. The revenue impacts from using the same 2010 regression caps for investments and expenses in future periods are potentially devastating to the financial stability of Wheat State as shown on lines 8 and 9 of the USF Reform portion of Exhibit I. Since Wheat State will be unable to predict investment and expense limitations from regression caps in future periods, it will also be unable to predict its revenues associated with support mechanisms and these revenue streams represent more than % of Wheat State’s annual operating revenues.

To the contrary, if the regression caps are allowed to increase on an annual basis by the same annual percentage increase projected for the NACPL, the impact to Wheat State’s support

revenues and financial stability is considerably improved as indicated in the results provided in Exhibit II. As reflected on Exhibit II, the increased HCLS under this scenario would result in Wheat State exceeding the \$3,000 per line cap in support as shown on Exhibit II, Line 2 under USF Reform. In this Exhibit, the revenue reduction would only amount to approximately % of projected revenues under existing rules and would not prohibit future network upgrades to enhance the company's broadband service offerings.

The FCC must realize that when applying support limitations using an inconsistent regression model on companies who have made substantial investments (or who have approved plans based on existing rules) that are allocated over a small number of customers in high-cost areas, the results can be considered in conflict with the intent of universal service and contrary to the Act's stated goals.

Section 254 of the Act states: “There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.” The revised rules contained in the FCC's recent Order appear to fall short of providing for “predictable” or “sufficient” revenues in future years to preserve and advance universal service.

G. Regression Model or Other Methodology for Capping Investments and Expenses in ICLS – The Order requests comments on the FCC's use of a Regression Model or another benchmark method to cap Interstate Common Line Support. Wheat State's comments on this issue are stated above in F, Regression Model for Capping Investments and Expenses in HCLS. For comparative purposes, the same assumptions were made for the revenue impact on ICLS as that for HCLS. The results are shown on line 10 of Exhibits I and II under USF reform revenue impacts.

III. INTERCARRIER COMPENSATION

The Order identifies a specific time-line and rate structure for transitioning ICC to bill-and-keep. In order to determine the impacts of the Order related to ICC, Wheat State incorporated the following changes to existing January 1, 2012 capped rates with 2011 minutes-of-use reduced each year by percent (%). Following is the time-line and the rate structure:

Beginning in July 1, 2012 intrastate terminating switched end office and transport rates, originating and terminating dedicated transport, and reciprocal compensation rates, if above the carrier’s interstate access rates are reduced by fifty percent (50%) of the differential between the rates.

Beginning July 1, 2013, intrastate terminating switched end office and transport rates, originating and terminating dedicated transport, and reciprocal compensation rates, if above the carrier’s interstate rates are reduced to parity with interstate rates.

Beginning July 1, 2014, terminating switched end office and reciprocal compensation rates are reduced by one-third of the differential between end office rates and \$0.005.

Beginning July 1, 2015, terminating switched end office and reciprocal compensation rates are reduced by an additional one-third of the original differential between end office rates and \$0.005.

Beginning July 1, 2016, terminating switched end office and reciprocal compensation rates are reduced to \$0.005.

Beginning July 1, 2017, terminating switched end office and reciprocal compensation rates are reduced by one-third of the differential between its end office rates (\$0.005.) and \$0.0007.

Beginning July 1, 2018, terminating switched end office and reciprocal compensation rates are reduced by an additional one-third of the differential between its end office rates as of January 1, 2016 and \$0.0007.

Beginning July 1, 2019, terminating switched end office and reciprocal compensation rates are reduced to \$0.0007

Beginning July 1, 2020, terminating switched end office and reciprocal compensation rates are reduced to bill-and-keep.

Wheat State is a Kansas ROR ILEC. Intrastate rates in Kansas mirror interstate rates, adjusted every other year. The Kansas Corporation Commission (“KCC”) establishes the local benchmark rates for the rural ILECs. Effective March 1, 2011, the new rural statewide average rates are \$16.25 for residence and \$19.25 for business. The intrastate access rates mirror the National Exchange Carrier Association’s (“NECA”) rates of July, 1, 2010. Kansas has a State USF; effective March 1, 2011, the KUSF assessment for rural LECs per line is \$1.45 (based on a 6.18% assessment rate).¹ Wheat State is not impacted by the requirement in the Order to increase basic local service rates, as shown on line 7 of the USF Reform impacts reflected on Exhibit I and Exhibit II attached.

The Order allows for the impact related to the reduction in rates to be part of the

¹ Kansas Docket No. 11-GIMT-201-GIT

consideration for replacement revenue generated by the implementation of an Access Recovery Charge (“ARC”) which is charged to the end user. The ARC is not applied if the total charges for Basic Local Service, Subscriber Line Charge (“SLC”), Extended Area Service, State SLC and State USF charges exceed \$30.00. The ARC for residential customers can be phased in at \$0.50 per year to a maximum of \$3.00. The ARC for business customers can be phased in at \$1.00 per year to a maximum of \$6.00 provided the SLC and the ARC does not exceed \$12.20 or with the addition of State charges, as noted above for residential including the ARC, do not exceed \$30.00.

Wheat State’s existing and proposed State rates for residential customers would allow the full \$3.00 for ARC to be added to the customer’s statement beginning in 2016. However, business customers would exceed the maximum \$30.00 in 2015 therefore \$3.00 would be the total amount charged for ARC to customers.

The Connect America Fund (CAF) as currently stated in the Order will ultimately replace all existing high-cost. The CAF will be based on incentive based, market driven policies, including competitive bidding to distribute USF as efficiently and effectively as possible. In the short term, recovery from the CAF for incumbent LECs will be provided to the extent that their eligible revenue exceeds their permitted ARCs. For Rate of Return carriers, it is anticipated that CAF support will phase down as eligible revenue decreases over time; but CAF will not be subject to other reductions.

The Order defines eligible recovery revenue as follows: the baseline revenues consisting of 2011 interstate switches access revenue requirement (recovered today through interstate

access revenues and LSS), 2011 intrastate terminating access revenue, and net reciprocal compensation revenue. The baseline eliminates LSS as stand-alone support.

Eligible recovery will be the difference between the baseline subject to five percent (5%) annual reductions and the revenues generated from the ICC reformed rates times the minutes-of-use for that year.

The total impact of the components included in ICC Reform, (phase down on intrastate and interstate terminating access rates to bill and keep, the ARC and CAF revenues, impact on settlements for freezing interstate traffic sensitive revenue requirement, and elimination of LSS), is reflected under the ICC Reform section in confidential Exhibit I and Exhibit II on lines 12 through 17.

The impact on settlements for freezing TS revenue requirement is higher in the analysis where Regression Model caps are held at 2010 levels, as shown on line 16 under ICC Reforms in Exhibit II, because increasing the regression caps allows the network expense cap to increase thus increasing the traffic sensitive revenue requirement. Wheat State exceeded the Regression Model cap for network expense which created a cap on the Study Area Cost per Loop (“SACPL”).

The state of Kansas has previously addressed intrastate access rate parity with interstate access rates and has created the Kansas Universal Service Fund (“KUSF”) to fund the intrastate revenue shortfall from mirroring interstate access rates. If the reduced federal USF support resulting from the changes in the Order is shifted to the intrastate jurisdiction, Kansas may be

required to fund the additional loss of USF revenue from KUSF and those USF losses may cause a significant burden to Kansas ratepayers through increased intrastate KUSF assessment surcharges. Although the FCC’s Order addresses the recovery of lost revenues from intrastate rate parity for states that have not previously addressed rate parity, the Order is conspicuously silent about the funding of existing state USF mechanisms in states that have previously implemented intrastate rate parity plans. This means Kansas ratepayers will be required to fund Kansas rate parity initiatives as well as the rate parity initiatives for companies in states that have failed to address intrastate access rate parity. This process may become unduly burdensome to Kansas ratepayers and should be addressed similarly for all states that have previously addressed and funded intrastate rate parity initiatives.

Wheat State believes that the intrastate/interstate ICC compensation issues should be addressed through a partnership effort between the States and the Joint Board. Wheat State is very concerned about the financial impact to Wheat State’s operations related to the transition to the CAF for all USF support and how this transition can be accomplished without an adverse affect on Wheat State’s financial obligations to RUS.

IV. SUMMARY

In 2010, Wheat State received about % of its regulated revenue from current USF support; % from interstate services other than USF; and % from intrastate services, local and miscellaneous services.

Wheat State operates a public switched telephone network as a regulated rate-of-return carrier using wireline facilities and technologies. Wheat State has accepted Carrier of Last Resort Obligations (“COLR”) since that term has been defined and serves any customer that requests telecommunications service within its designated service areas. Any time that Wheat State loses a customer or a support mechanism, additional pressure is placed on other customer rates or on the need to obtain additional support. The network must still be in place, operational and maintained even if the customers migrate away from Wheat State. Meeting customer demand for services is a priority for Wheat State, one of which is to provide broadband services to all of our customers.

Wheat State requests that the FCC ensure there are sufficient and predictable USF support mechanisms implemented for the reductions to USF support as proposed in this Order to ensure affordable local rates are comparable to those in urban areas.

Before the FCC implements all aspects of the Order, Wheat State and the industry need to understand specifically, with granular detail, how the FCC will provide and apply replacement mechanisms to the rural ILECs who have been providing quality service to their customers.

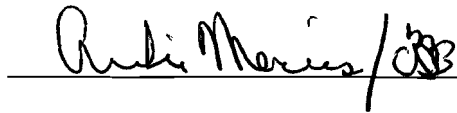
Wheat State respectfully requests that the FCC consider the impact to rural ROR carriers in its desire to bring an all broadband IP network to America. Wheat State continues deploying broadband in its rural network to meet the needs of our customers while other carriers, who serve the more urban areas of the state and also have rural customers, appear to have elected to concentrate its broadband efforts in non rural areas.

The FCC should consider alternatives such as raising SLCs to the maximum allowed by those entities currently charging less than the maximum allowed to pay for the deployment of

broadband networks before USF is redirected from the high-cost rural ILECs.

Wheat State will file the supporting documentation for the Exhibits if requested by the FCC. In Wheat State's comments filed last July², Wheat State provided financial documentation to support our position that without an adequate and sustainable revenue replacement for reductions in USF support, Wheat State may lack ongoing financial resources to provide high quality and broadband services in the high-cost areas of rural Kansas. Wheat State has not changed our opinion on these issues.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ardi Macias", followed by a stylized flourish or initials.

General Manager
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Date: January 18, 2012

cc: Best Copy and Printing, Inc. (BCPI) fcc@bcpiweb.com

² Filed July 10, 2010 in the FCC's NBP WC Docket No. 10-90; GN Docket No. 09-51; WC Docket No. 05-337

Wheat State Telephone Company, Inc. (Scenario 2 - Regression Caps Held to 2010 Levels)
Effects of USF/ICC Reforms on Revenues
2012 Through 2019

Confidential Information Subject to Protective Order in CC Docket No. 01-92, WC Dockets Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 9-45 before the Federal Communications Commission

	2012	2013	2014	2015	2016	2017	2018	2019
1 Revenues before effects of FCC Reform Order	-	-	-	-	-	-	-	-
USF Reform								
2 Phase down of Federal USF support over \$3,000 per line per year	-	-	-	-	-	-	-	-
3 Eliminate "loop caused" Safety Net Additive (SNA)	-	-	-	-	-	-	-	-
4 Eliminate Identical Support over 5 years	-	-	-	-	-	-	-	-
5 Revised Corporate Operations Expense Cap (HCLS)	-	-	-	-	-	-	-	-
6 New Corporate Operations Expense Cap (ICLS)	-	-	-	-	-	-	-	-
7 Impact of HCLS due to unreasonably low local rates	-	-	-	-	-	-	-	-
8 Phase down of support due to unsubsidized competitor	-	-	-	-	-	-	-	-
9 Impact on HCLS recovery on CAPEX and OPEX	-	-	-	-	-	-	-	-
10 Impact on ICLS recovery on CAPEX and OPEX	-	-	-	-	-	-	-	-
11 Total Effect of USF Reforms	-	-	-	-	-	-	-	-
ICC Reform								
12 Phase down Intrastate term access rates to zero (Bill and Keep)	-	-	-	-	-	-	-	-
13 Phase down Interstate term access rates to zero	-	-	-	-	-	-	-	-
14 Establish new Access Recovery Charge (ARC)	-	-	-	-	-	-	-	-
15 Connect America Fund (CAF)	-	-	-	-	-	-	-	-
16 Impact on settlements for freezing TS revenue requirement	-	-	-	-	-	-	-	-
17 Eliminating Local Switching Support	-	-	-	-	-	-	-	-
18 Total Effect of ICC Reforms	-	-	-	-	-	-	-	-
19 Total Effect of USF and ICC Reforms before Local Rate Increases	-	-	-	-	-	-	-	-
20 Revenues after Effects of FCC Reform Order before Local Rates	-	-	-	-	-	-	-	-
Local Rate Increase to Achieve Local Rate Floor								
1 Revenue from local rate increases	-	-	-	-	-	-	-	-
Revenues after effects of FCC Reform Order after Local Rates	-	-	-	-	-	-	-	-

Wheat State Telephone Company, Inc. (Scenario 1 - FTTH with Increasing Regression Caps)
Effects of USF/ICC Reforms on Revenues
2012 Through 2019

Confidential Information Subject to Protective Order in CC Docket No. 01-92, WC Dockets Nos. 10-90, 07-135,05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 9-45 before the Federal Communications Commission

	2012	2013	2014	2015	2016	2017	2018	2019
1 Revenues before effects of FCC Reform Order	-	-	-	-	-	-	-	-
USF Reform								
2 Phase down of Federal USF support over \$3,000 per line per year	-	-	-	-	-	-	-	-
3 Eliminate "loop caused" Safety Net Additive (SNA)	-	-	-	-	-	-	-	-
4 Eliminate Identical Support over 5 years	-	-	-	-	-	-	-	-
5 Revised Corporate Operations Expense Cap (HCLS)	-	-	-	-	-	-	-	-
6 New Corporate Operations Expense Cap (ICLS)	-	-	-	-	-	-	-	-
7 Impact of HCLS due to unreasonably low local rates	-	-	-	-	-	-	-	-
8 Phase down of support due to unsubsidized competitor	-	-	-	-	-	-	-	-
9 Impact on HCLS recovery on CAPEX and OPEX	-	-	-	-	-	-	-	-
10 Impact on ICLS recovery on CAPEX and OPEX	-	-	-	-	-	-	-	-
11 Total Effect of USF Reforms	-	-	-	-	-	-	-	-
ICC Reform								
12 Phase down Intrastate term access rates to zero (Bill and Keep)	-	-	-	-	-	-	-	-
13 Phase down Interstate term access rates to zero	-	-	-	-	-	-	-	-
14 Establish new Access Recovery Charge (ARC)	-	-	-	-	-	-	-	-
15 Connect America Fund (CAF)	-	-	-	-	-	-	-	-
16 Impact on settlements for freezing TS revenue requirement	-	-	-	-	-	-	-	-
17 Eliminating Local Switching Support	-	-	-	-	-	-	-	-
18 Total Effect of ICC Reforms	-	-	-	-	-	-	-	-
19 Total Effect of USF and ICC Reforms before Local Rate Increases	-	-	-	-	-	-	-	-
20 Revenues after Effects of FCC Reform Order before Local Rates	-	-	-	-	-	-	-	-
Local Rate Increase to Achieve Local Rate Floor								
1 Revenue from local rate increases	-	-	-	-	-	-	-	-
Revenues after effects of FCC Reform Order after Local Rates	-	-	-	-	-	-	-	-